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DIVE BRIEF

Medtronic's Hugo too similar to Intuitive's surgical robot to displace the market incumbent: analysts

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Medtronic's Hugo, a modular, multi-quadrant platform for soft-tissue robotic-assisted surgery. Courtesy of Medtronic

Dive Brief:

- Medtronic's Hugo surgical robot is too similar to Intuitive Surgical's device to displace the market incumbent, but will find a place in some markets outside the United States, according to analysts at BTIG.
- The analysts tested Hugo at a recent event, concluding that it "looked and felt very much as expected." With Intuitive entrenched in high-volume hospitals in the U.S. and Europe, the

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BTIG team expects the lack of significant differentiation to limit Medtronic's impact.

- Even so, as Medtronic keeps noting, fewer than 5% of surgeries globally are done with robots, creating an opportunity to generate revenue by growing the market, rather than by taking market share from Intuitive.

Dive Insight:

After delays, Medtronic's Hugo is now being evaluated in a U.S. clinical trial and the company is laying the groundwork for a launch that could establish it as the number two player in the country. As part of that process, the company showcased the surgical robot at the Society of American Gastrointestinal and Endoscopic Surgeons conference last week.

In a note posted after spending time with Hugo, the BTIG analysts said "we don't see it as differentiated enough to displace Intuitive." The conclusion is based on the view, which the analysts have expressed in the past, that Intuitive has built an ecosystem that will partly protect it from near-term competition.

"We continue to believe that for many high-volume surgeons especially within the U.S. and Europe, the switching costs will be too immense initially as [Intuitive] continues to enhance its

ecosystem. A vast number of surgeons want choice in their robotics system, and while we're not discounting this we think [Medtronic's] entrance into the U.S. will be measured," the analysts wrote.

If the analysts are right, Medtronic will need to target sites that are yet to buy Intuitive systems to grow Hugo into a significant product. There are reasons to think that is possible. As the analysts note, robotic penetration rates are low globally and Medtronic has "a significant customer base in instrumentation." Those factors led the analysts to conclude that Medtronic "will find a place in specific markets."

The analysts also visited Intuitive's booth at the conference. Intuitive lacked a new system to showcase but showed the analysts a recently launched, touch-enabled device that allows surgeons to record video and collaborate during procedures. The analysts see the device, which stems from Intuitive's 2020 buyout of Orpheus Medical, as further increasing "the value offering of [Intuitive's] entire ecosystem."